Company Registration No. 08412311 (England and Wales)

ALDER HEY HOLDCO 3 LIMITED

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 MARCH 2021

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ALDER HEY HOLDCO 3 LIMITED

COMPANY INFORMATION

Directors	A S Pearson D R Bradbury M Andrews C S Emery R Vose
Secretary	Vercity Management Services Limited
Company number	08412311
Registered office	8 White Oak Square London Road Swanley Kent BR8 7AG
Auditor	BDO LLP 55 Baker Street London W1U 7EU
Banker	Sumitomo Mitsui Banking Corp Europe Limited 99 Queen Victoria London EC4V 4EH

ALDER HEY HOLDCO 3 LIMITED

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ALDER HEY HOLDCO 3 LIMITED

DIRECTORS' REPORT

FOR THE YEAR ENDED 31 MARCH 2021

The Directors present their annual report and audited financial statements for the year ended 31 March 2021.

Principal activities
The Company principally operates as a holding company and was formed to hold the equity investment in Alder Hey Holdco 2 Limited.

The Group is principally engaged in the performance of a PFI contract with Alder Hey Children's NHS Foundation Trust for the design, build and operation of the Alder Hey Children's Hospital. There have not been any significant changes in the Group's principal activities in the year under review.

Results and dividends
The results for the year are set out on page 10.

No ordinary dividends were paid (2020: £nil). The Directors do not recommend payment of a final dividend.

Directors
The Directors who held office during the year and up to the date of signature of the financial statements were as follows:

A S Pearson	
A Travis	(Resigned 19 February 2021)
T Meredith	(Resigned 16 June 2020)
S M Jones	(Resigned 15 June 2020)
N Woodburn	(Resigned 30 June 2020)
A Sutton	(Appointed 15 June 2020 and resigned 5 July 2021)
D R Bradbury	(Appointed 8 December 2020)
M Andrews	(Appointed 19 February 2021)
C S Emery	(Appointed 19 February 2021)
R Vose	(Appointed 6 July 2021)

Qualifying third party indemnity provisions
The Group has made qualifying third party indemnity provisions for the benefit of its Directors during the year. These provisions remain in force at the reporting date.

Financial risk management objectives and policies

Service Performance
The Group encountered service performance issues during the year to 31 March 2021, the level of Service Failure Points (SFPs) applied by the Trust in the 6 months period to 28 February 2021 was sufficient to trigger Events of Default under the terms of the main loan agreements (the "loan agreements") with Lenders being the European Investment Bank and Institutional Investor Lenders represented by Prudential Assurance Company Limited and Prudential Retirement Income Limited in the instance of the bank loans held by the Group, and the Ultimate parent company shareholders (John Laing Group Plc, Interserve Group Limited and Laing O'Rourke Plc) ("sub debt providers") and with Prudential Assurance Company Limited ("senior sub debt providers") in the instance of the sub debt held by another Group company, Alder Hey Holdco 2 Limited. This was notified to the Lenders on 15 March 2021. The implications of these Events of Default were that Lenders have a number of right/remedies available to them which include requiring that the amounts owing under the loan agreements are immediately repaid in full. However, the Lenders have not accelerated the loan or requested its repayment in full.

As a result of the high levels of SFPs experienced up to the year ended 31 March 2021, the Directors sought advice from internal and external experts and implemented a plan of remedial actions (the "Plan") in order to increase service levels so that the number of SFPs is reduced going forward. The Plan involved the SPV conducting additional monitoring as well as working with Mitie (Facilities Services) Limited (formerly Interserve FM Limited) to improve contractual performance. The Plan resulted in an improved performance from the Service Provider, with significantly lower SFPs relating to the service performance being applied in the period April to July 2021.

Liquidity Risk

The Group manages its cash and borrowing requirements in order to maximise interest income and minimise interest expense, whilst ensuring the Group has sufficient liquid resources to meet the operating needs of the business. At the start of the PFI contract, the Group negotiated debt facilities with an external party to ensure that the Group has sufficient funds over the life of the PFI concession. At the time of signing the accounts all banking financial covenants were met, and subject to the Lenders not requiring that the amounts owing under the loan agreements are immediately repaid in full as a result of the current Event of Default the Company has sufficient liquid resources to meet the operational needs of the business for the foreseeable future.

Financial Reporting Risk and Internal Control

The Group has outsourced the financial reporting function to Vercity Management Services Limited ("Vercity"). Authorities remain vested in the Board members of the company. Vercity reports regularly to the Board of the Group. The Board receives bi-monthly reports from Vercity which specifically summarise and address the financial, contractual and commercial risks that the Company is exposed to, and are pertinent to the industry in which the Company operates. The Board also receives bi-monthly management accounts with explanations of variances from annual budgets and forecasts, which are in tum compared to the Financial Model, which represents the long term business plan of the Group and outlines its ability to comply with its debt obligations and covenants. Material deviations from the business plan are investigated and reported on. Supporting this process, Vercity evaluates its performance under the framework of an Internal Audit and Assessment programme which sits within its own Corporate Governance framework. This process ensures that the project remains robust and viable throughout the life of the contract.

Credit Risk

The Group's principal financial assets are cash, financial assets and trade and other receivables. The Group's credit risk is primarily attributable to its trade receivables which are with one counterparty, although in the opinion of the board of directors this risk is limited as the receivables are. with a public sector body.

Lifecycle Risk

Lifecycle expenditure is one of the main risks to the business. The risk being that the allowance for lifecycle costs factored into the financial model is insufficient to cover future lifecycle expenditure, thus resulting in lower profitability and reduced distributions. This is mitigated by regular lifecycle reviews undertaken by the management services provider and a detailed lifecycle review performed every five years.

Brexit Risk

The Group is exposed to risks associated with Brexit as a result of the inherent uncertainty around the UK's exit from the European Union. Whilst the Group itself is not considered to be significantly exposed, the Group's principal service provider Mitie (Facilities Services) Limited, (formerly Interserve FM Limited) ("Mitie"), may have exposure in relation to supply of labour which may impact the Group's service performance. Furthermore, an increased cost of supplies may impact on the Group's future lifecycle costs. Due to the evolving nature of the risk, the Board continue to actively monitor developments.

Service Performance Risk
Performance risk under the Project Agreement and related contracts are substantially passed on to Mitie. However, there is a risk that poor Service Provider performance can result in sufficient service failure points to trigger an Event of Default as part of the senior finance documents. This risk is managed by the Group through close contractual monitoring of service provider performance and by requesting service provider improvement plans when performance is below expectation.

Service Provider Failure Risk
Mitie is the Group's principal service provider and hence the likelihood of this risk is assessed through the review of Mitie's financial statements and through discussions with Mitie. The Group mitigates the risk through a Business Continuity Plan which details how the Group would deal with service provider failure. This includes both short term contingency plans and longer term replacement provider plans to ensure the Group's continuity of service to the Trust. The short-term contingency plans include directly employing staff and sub-contractors. The longer-term plans include appointing a new service provider through undertaking a competitive tender process.

Mitie Group Plc provides a Parent Company Guarantee (PCG) which guarantees to the Group the proper and punctual performance of Mitie (Facilities Services) Limited as well as all obligations, warranties, liabilities and agreements on the part of Mitie (Facilities Services) Limited.

Termination Risk
The Group entered into a contract with the Trust to design, build and operate Alder Hey Children's Hospital until 21 June 2045. The contract allows for the Trust to terminate the contract if the number of SFPs exceed certain thresholds, the thresholds for which were subsequently increased as part of the settlement agreement entered into on 26th April 2019. The Board has considered this risk and does not expect future SFP levels to reach the threshold at which the Trust would be able to terminate the project.

If the Trust were to terminate the contract, then the Trust would be required to compensate the Group in accordance with the contract by making a payment which includes the sum of the outstanding bank loans under the loan agreements and the open market value of subordinated debt.

Implication of the Event of Default
The implication of the Event of Default is that the lenders have a number of rights/remedies available to them which include requiring that the amounts owing under the loan agreements are immediately repaid in full. The Directors have discussed this issue with the lenders on an ongoing basis and have received no indication to date that the Lenders currently intend to exercise their rights following an Event of Default to require repayment of the outstanding borrowing immediately.

Going Concern and Covid-19
Taking into consideration reasonably possible changes to operations (and in the event that the lenders do not accelerate the repayments of principal due to the Event of Default), the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have also noted the existence of an Event of Default as at the date of approval of these accounts. The implications of this Event of Default are that the Lenders have a number of rights/remedies available to them which include requiring that the amounts owing under the loan agreements are immediately repaid in full. However, the Lenders have not accelerated the loan or requested its repayment in full.

The Directors have therefore concluded that until the Event of Default has been waived or deemed remedied by the Lenders, the ability of the lenders to accelerate repayments of the loan principal amounts represents a material uncertainty that casts significant doubt on the Group's ability to continue as a going concern and that therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after considering the uncertainties described above, the Directors have a reasonable expectation that the Group will continue in operational existence for the foreseeable future. Thus the Directors consider that it is appropriate to continue to prepare the financial statement on a going concern basis.

The Directors have also considered the potential impact to the business from the effects of the current pandemic (Covid-19) and have put in place plans to mitigate the currently known, and potential risks to business continuity. The unitary charge income received from the Trust is highly predicable and the Directors do not believe that there is any material risk to income or cashflows. The Directors have also looked at the effect of possible downside scenarios with reduced level of income and cashflows and are satisfied that no default on lending covenants would arise. On this basis, the Directors anticipate that the Group will continue to be able to meet its business obligations as they fall due over the coming twelve months. The Directors therefore consider it appropriate to continue to prepare the financial statements on a going concern basis.

After considering these matters and in light of the current forecasts for the Group, the Directors consider it appropriate to adopt the going concern basis in preparing the financial statements.

Post reporting date events

As at the balance sheet date, there was no Parent Company Guarantee (PCG) in place for Mitie (Facilities Services) Limited (formerly Interserve FM Limited). Previously Interserve Plc provided a PCG which guaranteed to the Group the proper and punctual performance of Mitie (Facilities Services) Limited as well as all obligations, warranties, liabilities and agreements on the part of Mitie (Facilities Services) Limited. As Interserve Plc is no longer the parent company of Mitie (Facilities Services), the PCG was no longer in force. This resulted in an Event of Default as defined in the loan agreements.

However, a new PCG was entered into on 14 September 2021 on the same terms as the previous version and therefore the Event of Default was not in place at the date of signing these financial statements. The Directors view this as a non-adjusting post balance sheet event as it does not impact the financial performance of the Group.

Auditor

The auditor, BDO LLP, is deemed to be reappointed under section 487(2) of the Companies Act 2006.

Statement of disclosure to auditor

So far as each person who was a Director at the date of approving this report is aware, there is no relevant audit information of which the auditor of the Group is unaware. Additionally, the Directors individually have taken all the necessary steps that they ought to have taken as directors in order to make themselves aware of all relevant audit information and to establish that the auditor of the Group is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Directors' report has been prepared in accordance with the special provisions relating to small companies within Part 15 of the Companies Act 2006.

On behalf of the board

....
A S Pearson
Director
Date: 28 Oct 2021................

ALDER HEY HOLDCO 3 LIMITED

DIRECTORS' RESPONSIBILITIES STATEMENT

FOR THE YEAR ENDED 31 MARCH 2021

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Company, and of the profit or loss of the Group for that period. In preparing these financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF ALDER HEY HOLDCO 3 LIMITED

Opinion on the financial statements
In our opinion the financial statements:

- give a true and fair view of the state of the Group and the Parent Company's affairs as at 31 March 2021 and of the Group's profit for the year then ended;
- have been property prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Alder Hey Holdco 3 Limited ("the Parent Company") and its subsidiaries ("The Group") for the year ended 31 March 2021 which comprise the Group Statement of Comprehensive Income, the Group and Company Balance Sheets, the Group and Parent Company Statements of Changes in Equity, the Group Cash Flow Statement and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion
We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remain independent of the Group in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

Material uncertainty related to going concern
We draw attention to note 1.3 of the financial statements which indicates that there is an Event of Default under the group's loan agreements with its lenders exist at the date of signing of this report. The implication is that the lenders have the ability to accelerate repayments of the loan principal amounts. These events and conditions, along with the other matters explained in note 1.3, constitute a materiality uncertainty that may cast significant doubt on the group and the parent company's ability to continue as a going concern.

Our opinion is not modified in respect of these matters.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

Other information
The directors are responsible for the other information. The other information comprises the information included in the annual report other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Other Companies Act 2006 reporting

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the group and parent company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit; or
- the company is entitled to claim exemption in preparing a strategic report due to it being a member of an ineligible group.

Responsibilities of directors

As explained more fully in the Directors' Responsibilities Statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Extent to which the audit was capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Based on our understanding of the Company and industry, we identified the principal risk of non-compliance with laws and regulations to be UK tax legislation, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that might have a direct impact on the preparation of the financial statements such as Companies Act 2006.

We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls) and determined that the principal risks were related to management bias in accounting estimates and posting inappropriate journal entries to manipulate the fair value of the Company's assets.

Audit procedures performed by the engagement team included:

- We considered the processes and controls that the company has established to address risks identified, or that otherwise prevent, deter and detect fraud and how management monitors those processes and controls;
- We targeted journal entry testing based on identified characteristics the audit team considered could be indicative of fraud;
- We made enquiries of Management, those charged with governance and those responsible for legal and compliance procedures as to whether there was any correspondence from regulators in so far as the correspondence related to financial statements; and
- We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

A further description of our responsibilities is available on the Financial Reporting Council's website at: https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the Parent Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:
Jack Draycott
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Jack Draycott (Senior Statutory Auditor)
For and on behalf of BDO LLP, Statutory Auditor
London
28 October 2021

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

ALDER HEY HOLDCO 3 LIMITED

GROUP STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 MARCH 2021

	Notes	2021 £000	2020 £000
Turnover	3	7,913	6,911
Cost of sales		(7,225)	(6,770)
Gross profit		688	141
Interest receivable and similar income	7	7,887	8,093
Interest payable and similar expenses	8	(8,015)	(7,900)
Profit before taxation		560	334
Tax on profit	9	(106)	(27)
Profit for the financial year		454	307

The statement of comprehensive income has been prepared on the basis that all operations are continuing operations.

The accompanying notes form part of the financial statements.

ALDER HEY HOLDCO 3 LIMITED

GROUP BALANCE SHEET

AS AT 31 MARCH 2021

	Notes	2021 £000	2021 £000	2020 £000	2020 £000
Current assets					
Debtors falling due after more than one year	**12**	113,443		116,388	
Debtors falling due within one year	**12**	3,581		3,083	
Cash at bank and in hand		15,533		9,526	
		132,557		128,997	
Creditors: amounts falling due within one year	**13**	(133,238)		(130,132)	
Net current liabilities			(681)		(1,135)
Capital and reserves					
Called up share capital	**16**		30		30
Profit and loss account	**16**		(711)		(1,165)
Total shareholders' funds			(681)		(1,135)

These financial statements have been prepared in accordance with the provisions applicable to groups and companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on .28.Oct.2021.... and are signed on its behalf by:

....
A S Pearson
Director

ALDER HEY HOLDCO 3 LIMITED

COMPANY BALANCE SHEET

AS AT 31 MARCH 2021

	Notes	2021 £000	2021 £000	2020 £000	2020 £000
Fixed assets					
Investments	**10**		30		30
Net assets			30		30
Capital and reserves					
Called up share capital	**16**		30		30
Total shareholders' funds			30		30

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's profit for the year was £0 (2020 - £0 profit).

These financial statements have been prepared in accordance with the provisions applicable to companies subject to the small companies regime.

The financial statements were approved by the board of directors and authorised for issue on .28.Oct.2021.... and are signed on its behalf by:

....
A S Pearson
Director

Company Registration No. 08412311

ALDER HEY HOLDCO 3 LIMITED

GROUP STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Share capital	Profit and loss account	Total
	£000	£000	£000
Balance at 1 April 2019	30	(1,472)	(1,442)
Year ended 31 March 2020:			
Profit and total comprehensive income for the year	-	307	307
Balance at 31 March 2020	30	(1,165)	(1,135)
Year ended 31 March 2021:			
Profit and total comprehensive income for the year	-	454	454
Balance at 31 March 2021	30	(711)	(681)

ALDER HEY HOLDCO 3 LIMITED

COMPANY STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 MARCH 2021

	Share capital £000
Balance at 1 April 2019	30
Year ended 31 March 2020:	
Profit and total comprehensive income for the year	-
Balance at 31 March 2020	30
Year ended 31 March 2021:	
Profit and total comprehensive income for the year	-
Balance at 31 March 2021	30

ALDER HEY HOLDCO 3 LIMITED

GROUP STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2021

		2021		2020	
	Notes	**£000**	**£000**	**£000**	**£000**
Cash flows from operating activities					
Cash generated from operations	**21**		17,674		5,145
Income taxes (paid)/refunded			-		74
Net cash inflow from operating activities			17,674		5,219
Investing activities					
Interest received		19		27	
Net cash generated from investing activities			19		27
Financing activities					
Interest paid		(8,612)		(5,418)	
Repayment of bank loans		(3,074)		(3,011)	
Net cash used in financing activities			(11,686)		(8,429)
Net increase/(decrease) in cash and cash equivalents			6,007		(3,183)
Cash and cash equivalents at beginning of year			9,526		12,709
Cash and cash equivalents at end of year			15,533		9,526

1 Accounting policies

Company information

Alder Hey Holdco 3 Limited is a private company limited by shares, domiciled and incorporated in the United Kingdom and registered in England and Wales. The registered office is 8 White Oak Square, London Road, Swanley, Kent, BR8 7AG.

The Group consists of Alder Hey Holdco 3 Limited and all of its subsidiaries.

1.1 Accounting convention

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the requirements of the Companies Act 2006.

The financial statements are prepared in sterling, which is the functional currency of the Company and Group. Monetary amounts in these financial statements are rounded to the nearest £000.

The financial statements have been prepared under the historical cost convention. The principal accounting policies adopted are set out below.

As permitted by s408 Companies Act 2006, the Company has not presented its own profit and loss account and related notes. The Company's profit for the year was £0 (2020: £0).

The Company has taken the small company exemption from preparing a strategic report.

1.2 Basis of consolidation

The Group financial statements consolidate the financial statements of the Company and its subsidiaries undertakings drawn up to 31 March each year.

1.3 Going concern

The Group encountered service performance issues during the year to 31 March 2021, the level of Service Failure Points (SFPs) applied by the Trust in the 6 months period to 28 February 2021 was sufficient to trigger Events of Default under the terms of the main loan agreements (the "loan agreements") with Lenders being the European Investment Bank and Institutional Investor Lenders represented by Prudential Assurance Company Limited and Prudential Retirement Income Limited in the instance of the bank loans held by the Group, and the Ultimate parent company shareholders (John Laing Group Plc, Interserve Group Limited and Laing O'Rourke Plc) ("sub debt providers") and with Prudential Assurance Company Limited ("senior sub debt providers") in the instance of the sub debt held by another Group company, Alder Hey Holdco 2 Limited. This was notified to the Lenders on 15 March 2021. The implications of these Events of Default were that Lenders have a number of right/remedies available to them which include requiring that the amounts owing under the loan agreements are immediately repaid in full. However, the Lenders have not accelerated the loan or requested its repayment in full.

As a result of the high levels of SFPs experienced up to the year ended 31 March 2021, the Directors sought advice from internal and external experts and implemented a plan of remedial actions (the "Plan") in order to increase service levels so that the number of SFPs is reduced going forward. The Plan involved the SPV conducting additional monitoring as well as working with Mitie (Facilities Services) Limited (formerly Interserve FM Limited) to improve contractual performance. The Plan resulted in an improved performance from the Service Provider, with significantly lower SFPs relating to the service performance being applied in the period April to July 2021.

1 Accounting policies **(Continued)**

Implication of the Event of Default

The implication of the Event of Default is that the lenders have a number of rights/remedies available to them which include requiring that the amounts owing under the loan agreements are immediately repaid in full. The Directors have discussed this issue with the lenders on an ongoing basis and have received no indication to date that the Lenders currently intend to exercise their rights following an Event of Default to require repayment of the outstanding borrowing immediately.

Taking into consideration reasonably possible changes to operations (and in the event that the lenders do not accelerate the repayments of principal due to the Event of Default), the Group has adequate resources to continue in operational existence for the foreseeable future. The Directors have also noted the existence of an Event of Default as at the date of approval of these accounts.

The Directors have therefore concluded that until the Event of Default has been waived or deemed remedied by the Lenders, the ability of the lenders to accelerate repayments of the loan principal amounts represents a material uncertainty that may cast significant doubt on the Group's ability to continue as a going concern and that therefore the Group may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, after considering the uncertainties described above, the Directors have a reasonable expectation that the Group will continue in operational existence for the foreseeable future.

The Directors have considered the potential impact to the business from the effects of the current pandemic (Covid-19) and have put in place plans to mitigate the currently known, and potential risks to business continuity. The unitary charge income received from the Trust is highly predicable and the Directors do not believe that there is any material risk to income or cashflows. On this basis, the Directors anticipate that the Group will continue to be able to meet its business obligations as they fall due over the coming twelve months.

Thus, the Directors consider that it is appropriate to continue to prepare the financial statement on a going concern basis and these financial statements do not include any adjustments that would be necessary if this basis were inappropriate.

1.4 Turnover

Turnover is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods and services provided in the normal course of business, net of discounts, VAT and other sales related taxes.

Income received in respect of the service concession is allocated between revenue and capital repayment of, and interest income on, the PFI financial asset using the effective interest rate method. Service revenue is recognised as a margin on non-pass-through operating and maintenance costs.

Pass through income represents the direct pass through of recoverable costs, as specified in the Project Agreement.

Variation income relates to the recharge of costs incurred for the alteration of the facilities or the services provided, requested by the Authority.

1.5 Fixed asset investments

Interests in subsidiaries, associates and jointly controlled entities are initially measured at cost and subsequently measured at cost less any accumulated impairment losses. The investments are assessed for impairment at each reporting date and any impairment losses or reversals of impairment losses are recognised immediately in profit or loss.

A subsidiary is an entity controlled by the Company. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

1 Accounting policies **(Continued)**

1.6 Cash and cash equivalents

Cash and cash equivalents are basic financial assets and include cash in hand, deposits held at call with banks, other short-term liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

The Group is obligated to keep separate cash reserves in respect of requirements in the Group's funding agreements. This restricted cash balance, which is shown on the balance sheet within the "cash at bank and in hand" balance, amounts to £6,897,000 at the year end (2020: £6,223,000).

1.7 Financial instruments

The Group has elected to apply the provisions of Section 11 'Basic Financial Instruments' of FRS 102 to all of its financial instruments.

Financial instruments are recognised in the Group's balance sheet when the group becomes party to the contractual provisions of the instrument.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability simultaneously.

Basic financial assets

Basic financial assets, which include debtors, cash and bank balances and other financial assets, are initially measured at transaction price including transaction costs and are subsequently carried at amortised cost using the effective interest method unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Financial assets classified as receivable within one year are not amortised.

Loans and receivables

Trade debtors, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Interest is recognised by applying the effective interest rate, except for short-term receivables when the recognition of interest would be immaterial. The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating the interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument to the net carrying amount on initial recognition.

1 Accounting policies **(Continued)**

Service Concession
The Group is a special purpose entity that has been established to provide services under certain private finance arrangements with Alder Hey Children's NHS Foundation Trust (the Trust). Under the terms of these Agreements, the Trust (as grantor) controls the services to be provided by the Group over the contract term. Based on the contractual arrangements the Group has classified the project as a service concession arrangement and has accounted for the principal assets of, and income streams from, the project in accordance with FRS102, Section 34.12 Service Concession Arrangements.

The Group has chosen to adopt the transitional arrangements available within FRS 102, Section 35.10 (i) and as such the service concession arrangement has continued to be accounted for using the same accounting policies being applied prior to the date of transition to FRS 102 (1 January 2014). The nature of the asset has therefore not changed; however, there was a change in the description from Finance Debtor to Financial Asset.

Under the terms of the arrangement, the Group has the right to receive a baseline contractual payment stream for the provision of the services from or at the direction of the grantor (the Trust), and as such the asset is accounted for as a financial asset. The financial asset has initially been recognised at the fair value of the consideration received, based on the fair value of the construction (or upgrade) services, plus any directly attributable transaction costs, provided in line with FRS 102.

Impairment of financial assets
Financial assets, other than those held at fair value through profit or loss, are assessed for indicators of impairment at each reporting end date.

Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows have been affected. If an asset is impaired, the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the asset's original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed. The reversal is such that the current carrying amount does not exceed what the carrying amount would have been, had the impairment not previously been recognised. The impairment reversal is recognised in profit or loss.

Derecognition of financial assets
Financial assets are derecognised only when the contractual rights to the cash flows from the asset expire or are settled, or when the Group transfers the financial asset and substantially all the risks and rewards of ownership to another entity, or if some significant risks and rewards of ownership are retained but control of the asset has transferred to another party that is able to sell the asset in its entirety to an unrelated third party.

Classification of financial liabilities
Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

1 Accounting policies **(Continued)**

Basic financial liabilities

Basic financial liabilities, including creditors, bank loans, loans from fellow group companies and preference shares that are classified as debt, are initially recognised at transaction price unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future payments discounted at a market rate of interest. Financial liabilities classified as payable within one year are not amortised.

Debt instruments are subsequently carried at amortised cost, using the effective interest rate method. The effective interest method is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instruments.

Trade creditors are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Trade creditors are recognised initially at transaction price and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities

Debt instruments that do not meet the conditions in FRS 102 paragraph 11.9 are subsequently measured at fair value through the group statement of comprehensive income. Debt instruments may be designated as being measured at fair value through the group statement of comprehensive income to eliminate or reduce an accounting mismatch or if the instruments are measured and their performance evaluated on a fair value basis in accordance with a documented risk management or investment strategy.

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities.

Derecognition of financial liabilities

Financial liabilities are derecognised when the Group's contractual obligations expire or are discharged or cancelled.

1.8 Equity instruments

Equity instruments issued by the Group are recorded at the proceeds received, net of transaction costs. Dividends payable on equity instruments are recognised as liabilities once they are no longer at the discretion of the Group.

1.9 Taxation

The tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from net profit as reported in the Group's statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the reporting end date.

1 Accounting policies **(Continued)**

Deferred tax

Deferred tax liabilities are generally recognised for all timing differences and deferred tax assets are recognised to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits. Such assets and liabilities are not recognised if the timing difference arises from goodwill or from the initial recognition of other assets and liabilities in a transaction that affects neither the tax profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each reporting end date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited in the statement of comprehensive income, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity. Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to offset current tax assets and liabilities and the deferred tax assets and liabilities relate to taxes levied by the same tax authority.

2 Judgements and key sources of estimation uncertainty

In the application of the Group's accounting policies, the Directors are required to make judgements, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised where the revision affects only that period, or in the period of the revision and future periods where the revision affects both current and future periods.

Key sources of estimation uncertainty

The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are as follows:

Services concession arrangement

As disclosed in Note 1, the Group accounts for the project as a service concession arrangement. The Directors use their judgement in selecting the appropriate financial asset rate to be applied in order to allocate the income received between revenue, and capital repayment of and interest income on the financial asset; and also the service margin that is used to recognise service revenue. The Directors have also used their judgement in assessing the appropriateness of the future maintenance costs that are included in the Group's forecasts. The Directors will continue to monitor the condition of the assets and undertake a regular review of maintenance spend.

3 Turnover

An analysis of the Group's turnover is as follows:

	2021 £000	2020 £000
Turnover analysed by class of business		
Passthrough income	3,706	2,975
Services income	3,901	3,652
Rental income	303	281
Other income	3	3
	7,913	6,911

	2021 £000	2020 £000
Turnover analysed by geographical market		
United Kingdom	7,913	6,911

4 Auditor's remuneration

Fees payable to the Group's auditor and associates:	2021 £000	2020 £000
For audit services		
Audit of the financial statements of the Group and Company	1	1
Audit of the financial statements of the Company's subsidiaries	18	15
	19	16

5 Employees

The Group had no employees during the current or prior year.

6 Directors' remuneration

No Directors received any remuneration for services to the Group during the current or prior year.

7 Interest receivable and similar income

	2021 £000	2020 £000
Interest on bank deposits	19	27
Interest receivable on financial asset	7,868	8,066
Total income	7,887	8,093

8 Interest payable and similar expenses

	2021 £000	2020 £000
Interest on bank loans	4,420	4,556
Interest on invoice finance arrangements	47	46
Interest payable to group undertakings	3,548	3,298
	8,015	7,900

9 Taxation

	2021 £000	2020 £000
Current tax		
UK corporation tax on profits for the current period	-	15
Deferred tax		
Origination and reversal of timing differences	106	12
Total tax charge	106	27

The actual charge for the year can be reconciled to the expected charge for the year based on the profit or loss and the standard rate of tax as follows:

	2021 £000	2020 £000
Profit before taxation	560	334
Expected tax charge based on the standard rate of corporation tax in the UK of 19.00% (2020: 19.00%)	106	63
Adjustments in respect of prior years	-	16
Changes in tax rate on deferred tax balances	-	(52)
Taxation charge	106	27

10 Fixed asset investments

	Group 2021 £000	2020 £000	Company 2021 £000	2020 £000
Investments in subsidiaries	-	-	30	30

10 Fixed asset investments (Continued)

The investment in subsidiaries is an equity instrument measured at cost less impairment.

The balance sheet value of investments held represents the purchase consideration. The value of investments is not less than the aggregate amounts at which they are shown in the balance sheet.

The Company holds a 100% investment in Alder Hey HoldCo 2 Limited, a company incorporated in England and Wales, with a registered address of 8 White Oak Square, London Road, Swanley, BR8 7AG. The investment held represents 30,000 ordinary shares of £1 each.

The Company also indirectly holds through Alder Hey HoldCo 2 Limited a 100% investment in Alder Hey HoldCo 1 Limited and Alder Hey (Special Purpose Vehicle) Limited, both companies are incorporated in England and Wales, with registered addresses of 8 White Oak Square, London Road, Swanley, BR8 7AG.

Movements in fixed asset investments

Company	**Shares in group undertakings £000**
Cost	
At 1 April 2020 and 31 March 2021	30
Carrying amount	
At 31 March 2021	30
At 31 March 2020	30

11 Subsidiaries

Details of the company's subsidiaries at 31 March 2021 are as follows:

Name of undertaking	Registered office	Class of shares held	% Held Direct	% Held Indirect
Alder Hey (Special Purpose Vehicle) Limited	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG	Ordinary Shares	-	100.00
Alder Hey Holdco 1 Limited	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG	Ordinary Shares	-	100.00
Alder Hey Holdco 2 Limited	8 White Oak Square, London Road, Swanley, Kent, BR8 7AG	Ordinary Shares	100.00	-

12 Debtors

Amounts falling due within one year:	Notes	Group 2021 £000	2020 £000	Company 2021 £000	2020 £000
Trade debtors		274	207	-	-
Financial asset		2,769	2,645	-	-
Prepayments and accrued income		440	105	-	-
		3,483	2,957	-	-
Deferred tax asset	15	98	126	-	-
		3,581	3,083	-	-

Amounts falling due after more than one year:

	Notes	Group 2021 £000	2020 £000	Company 2021 £000	2020 £000
Financial asset		113,213	116,080	-	-
Deferred tax asset	15	230	308	-	-
		113,443	116,388	-	-
Total debtors		117,024	119,471	-	-

13 Creditors: amounts falling due within one year

	Notes	Group 2021 £000	2020 £000	Company 2021 £000	2020 £000
Bank loans	14	93,137	95,808	-	-
Trade creditors		269	306	-	-
Other taxation and social security		1,416	80	-	-
Amounts due to senior subordinated debt holders	14	10,458	10,764	-	-
Amounts due to subordinated debt holders	14	21,342	22,036	-	-
Accruals and deferred income		6,616	1,138	-	-
		133,238	130,132	-	-

14 Loans and overdrafts

	Group 2021 £000	2020 £000	Company 2021 £000	2020 £000
Bank loans	93,137	95,808	-	-
Loans from senior subordinated and subordinated debt holders	31,800	32,800	-	-
	124,937	128,608	-	-
Payable within one year	124,937	128,608	-	-

The Group has four debt facilities:

- European Investment Bank loan of £54.474 million repayable in quarterly instalments from September 2015 to September 2043, with a fixed rate of interest of 4.11%; and

- M&G loan of £55.183 million repayable in quarterly instalments from September 2015 to September 2043, with a fixed rate of interest of 4.91%.

- An on-loan of a Subordinated Secured Facility with Prudential of £12.12 million repayable in instalments from September 2015 to September 2043, with a fixed rate of interest of 7.81%

- Subordinated Debt with the shareholders John Laing Investments Limited, Laing O'Rourke Plc. and Interserve Development No.1 Limited of £16.468 million repayable in one off payment in September 2043, with a fixed rate of interest of 11.74%. Amounts owed to parent undertaking comprises of loans of £16.468 million, plus capitalised subordinated debt interest of £4.87 million (2020: £3.5 million). The increase in subordinated debt interest relative to the prior period relates to accrued interest amounts capitalised within the loan principal balances in order to fund the settlement agreement as detailed in the Directors' report.

15 Deferred taxation

Deferred tax assets and liabilities are offset where the Group or Company has a legally enforceable right to do so. The following is the analysis of the deferred tax balances (after offset) for financial reporting purposes:

Group	Assets 2021 £000	Assets 2020 £000
Tax losses	328	434

The Company has no deferred tax assets or liabilities.

15 Deferred taxation (Continued)

	Group 2021	Company 2021
Movements in the year:	**£000**	**£000**
Asset at 1 April 2020	(434)	-
Charge to profit or loss	106	-
Asset at 31 March 2021	(328)	-

The deferred tax asset set out above is expected to reverse within 12 months and relates to the utilisation of tax losses against future expected profits of the same period.

16 Share capital and reserves

	2021 Number	2020 Number	2021 £000	2020 £000
Ordinary share capital				
Issued and fully paid				
Ordinary Shares of £1 each	30,000	30,000	30	30

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company.

The profit and loss reserve represents cumulative profits or losses.

17 Related party transactions

Transactions with related parties
During the year the Group entered into the following transactions with related parties:

	2021	2020
	£000	£000
Group		
John Laing Group plc and Subsidiaries - Management and other fees	5	5
John Laing Group plc and Subsidiaries - Subordinated debt interest	1,068	958
Laing O'Rourke plc and Subsidiaries - Passthrough and Other fees	-	5
Laing O'Rourke plc and Subsidiaries - Subordinated debt interest	1,068	958
Interserve Group Limited and Subsidiaries - Other fees	376	181
Interserve Group Limited and Subsidiaries - FM Fees	1,685	2,432
Interserve Developments No. 1 Limited - Subordinated debt interest	534	479
	4,736	5,018

The following amounts were outstanding at the reporting end date:

	Amounts owed to related parties	
	2021	2020
	£000	£000
Group		
John Laing Group plc and Subsidaries - Subordinated debt interest	508	827
John Laing Group plc and Subsidaries - Subordinated loan notes	8,028	7,987
Laing O'Rourke plc and Subsidiaries - Subordinated debt interest	508	827
Laing O'Rourke plc and Subsidiaries - Subordinated loan notes	8,028	7,987
Laing O'Rourke plc and Subsidiaries - Passthrough costs	7	-
Interserve Group Limited and Subsidiaries - Other fees	-	236
Interserve Group Limited and Subsidiaries - Passthrough costs	90	20
Interserve Developments No. 1 Limited - Sub debt interest	254	414
Interserve Developments No. 1 Limited - Subordinated loan notes	4,014	3,994
	21,437	22,292

Group
The following amounts were outstanding at the reporting end date:

	Amounts owed by related parties	
	2021	2020
	£000	£000
John Laing Group plc and Subsidiaries - Management and other fees	152	133
Laing O'Rourke plc and Subsidiaries - Construction fees	-	26
	152	159

No guarantees have been given or received.

18 Controlling party

The Company is owned by John Laing Investments Limited (40%), Laing O'Rourke Plc (40%) and Interserve Developments No.1 Limited (20%). The companies are incorporated in Great Britain and registered in England and Wales. The financial statements are available to the public and can be obtained from Companies House, Crown Way, Cardiff CF14 3UZ. The Directors consider there to be no ultimate controlling party or ultimate parent company.

19 Capital Commitments

On 21 March 2013, the Group entered into a 30 year contract with the Trust for the development of a Children's Health Park at Alder Hey Hospital. As part of this contract, the Group has pledged to the lenders all of their assets as security for their borrowings.

20 Events after the reporting date

As at the balance sheet date, there was no Parent Company Guarantee (PCG) in place for Mitie (Facilities Services) Limited (formerly Interserve FM Limited). Previously Interserve Plc provided a PCG which guaranteed to the Group the proper and punctual performance of Mitie (Facilities Services) Limited as well as all obligations, warranties, liabilities and agreements on the part of Mitie (Facilities Services) Limited. As Interserve Plc is no longer the parent company of Mitie (Facilities Services), the PCG was no longer in force. This resulted in an Event of Default as defined in the loan agreements.

However, a new PCG was entered into on 14 September 2021 on the same terms as the previous version and therefore the Event of Default was not in place at the date of signing these financial statements. The Directors view this as a non-adjusting post balance sheet event as it does not impact the financial performance of the Group.

21 Cash generated from group operations

	2021 £000	2020 £000
Profit for the year after tax	454	307
Adjustments for:		
Taxation charged	106	26
Finance costs	8,015	7,900
Investment income	(19)	(27)
Movements in working capital:		
Decrease in debtors	2,341	3,706
Increase/(decrease) in creditors	6,777	(6,767)
Cash generated from operations	17,674	5,145

22 Analysis of changes in net debt - group

	1 April 2020	Cash flows	Other non-cash changes	31 March 2021
	£000	£000	£000	£000
Cash at bank and in hand	9,526	6,007	-	15,533
Borrowings excluding overdrafts	(128,608)	3,074	597	(124,937)
	(119,082)	9,081	597	(109,404)